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## FINANCIAL WRONG IN PORTO RICO.

ON July 27 our troops seized and occupied Ponce; there on the 28th the national emblem was unfurled, and there also on the 28th General Miles issued a general order fixing the exchange of the custom house at the rate of 2 to 1. The officials employed there by Spain are now salaried and retained by the United States, and the rate remains the same, much to the advantage of native merchants.

There are 100 centavos in a peso, a silver coin which in size and weight resembles its American prototype, the bullion value of which is thirty-two and one-half cents. The gold, which is at the high premium of about 35 per cent. above the baser metal, has no fixed value and constantly vacillates. The paper has a value slightly above that of silver, though redeemable in gold at some 65 per cent. below its face value. Therefore, although a gold five peso piece, a five peso note, and five silver pesos are identical in face denomination, yet they respectively exceed the latter by the percentages of eighty-five and twenty. The only bank now under the jurisdiction of the Union, the only one except that of San Juan, has been giving but one hundred and seventy centavos for one dollar of the United States (*i. e.*, 1.75:1), but recently this rate was reduced to only one hundred and fifty centavos for a dollar (*i. e.*, 1.50:1). For several months this bank paid 1.75:1; the merchants from 1.60:1 to 2.00:1; now all dealers about Ponce have followed the lead of their bank, compelling the rate of 1.50:1 for our silver, our notes and our gold. This exchange allows but seven and one-half pesos for a five dollar bill. At the same time the same bank pays eleven pesos for the English sovereign, valued at \$4.86½; eight pesos for the French louis, valued at \$3.72. Countless shops, although not permitted the bank charter, are willing to oblige the soldier and the citizen of the Union by exchanging his money at the almost net gain of 51.25 per cent. Most banks are content with 1 per cent. on exchange, but not so our ambitious Porto Rican; for him the "Buenos Americanos" means something before a sentiment.

If the spirit of Gen. Miles' order to the customs had been respected in all other custom houses taken, and if general orders had been published by the commander in charge of the forces on the island, or if this privilege had been given to those generals whose troops garrison the different districts and towns, in order that the rate of 2:1 might be maintained throughout, there would have been far less injustice done to the interests of the government and great confusion would have been thereby eliminated. If 2:1 had been the settled rate, all territory occupied by our forces would have had to conform to a dictate which would have met the approval of those conducting trade upon sound principles. Therefore, to avoid the vastly different and varying changes in rates of different districts, none of which are settled by any law or order, Gen. Grant encouraged the merchants in those places garrisoned by his brigade to trade on the basis of 2:1. At the same time the co-operation of the other generals then having commands stationed on the island was solicited, in order to fix this rate for all simultaneously. Most unfortunately, however, this scheme failed through lack of support, and in justice to the inhabitants the old rate of 1.75:1 was resumed. And also, most unfortunately, this was at a time when the brigade was paid for three months in arrears; thus the men were compelled to pay 12½ per cent. more on their purchases, which were many.

Native dealers would buy stuffs from a locality where the peso had a higher rate and a consequent lesser value than in the town in which the

stuffs were to be sold, using the difference to enhance their gain and as means to undersell their rivals buying material in their own locality. Thus merchants and wholesale dealers in parts where a high rate prevailed lost trade and money. To sum up the matter a dealer of Ponce, where there is a rate of 1.50:1, would buy goods at  $12\frac{1}{2}$  per cent. less in Guyama, where the rate is 1.75:1; this illustrates the market depreciation of the peso in the district of Guyama. At Ponce this merchant then receives our dollar in payment for articles to the value of a peso and a half. He then repairs to custom house, which, at a loss of 25 per cent., exchanges the dollar for two pesos. Ergo, the merchant makes his nominal gain on the sale; an additional amount from the raise in prices at our occupancy of the territory;  $12\frac{1}{2}$  per cent. by buying stock in an alien district; 25 per cent. from the United States. Computing the normal gain to be 25 per cent. net, prices being almost a third more, a clear gain of 100 per cent; this and the gain by the two exchanges permit the wily Porto Rican, more often a Frenchman or a Spaniard, a net profit of  $162\frac{1}{2}$  per cent.—not at all bad for a country shop, and quite deserving of encomiums for business ability.

As the national emblem will be unfurled at the capital before this is published a radical movement should be instituted immediately; if not by Congress, then the power should be vested in the military governor by authority of the President. Owing to the dissimilar habits, conditions, interests, institutions and environment, the administrator of Porto Rico must have a greater scope and more arbitrary power than his brother on the mainland. This he will use as his discretion and judgment dictate, and be thereafter held accountable to the administration. Congress cannot, nor can an individual, unless he has remained on the island, thoroughly studied the native element and felt the pulse of its life, understand the condition of his patient, and know the correct physic for her well being.

The most successful of colonizers, our British cousins, understand this, and invest in their viceroy (vice king) almost supreme power; although he is accountable to the home government for his acts, yet they recognize he must know the conditions far more thoroughly than it is possible for them. Therefore, he knowing cause and effect among the natives, they judge him more by the results than by his acts, which cannot be intelligently interpreted by those in an environment so different. Consequently they select a man of talent; they trust to his loyalty to honorably represent the interests of his government, depend upon his ability to honestly minister to the welfare of his province.

To solve the money problem, all Porto Rican currency should be immediately called in. The baser metal not being redeemable in gold at face value should be exchanged at bullion for the national coin. The gold would be worth near its face value; *i.e.*, a gold five peso piece would bring about \$4.75, a silver peso about 33 cents, copper about two centavos for a penny. The paper should be received on a silver basis, as it is not redeemable at face value in gold, and its purchase will be a total loss to our government.

Owing to the fact that all large land owners and producers lived abroad the native currency is very limited, and so could be easily collected within a month.

This will, at a stroke, end, at very small cost, injustice to the natives, to our citizens, and to the nation herself.

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